

NOMINATIONS OF:
BRUCE A. MORRISON, J. TIMOTHY O'NEILL, AND
JAMES CLIFFORD HUDSON

4. B 22/3: S. HRG. 103-908

nations of: Bruce A. Morrison, ... ARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS
SECOND SESSION
ON
NOMINATIONS OF:

BRUCE A. MORRISON, OF CONNECTICUT, TO BE DIRECTOR OF THE
FEDERAL HOUSING FINANCE BOARD

J. TIMOTHY O'NEILL, OF VIRGINIA, TO BE A MEMBER OF THE FEDERAL
HOUSING FINANCE BOARD

JAMES CLIFFORD HUDSON, OF OKLAHOMA, TO BE A DIRECTOR OF THE
SECURITIES INVESTOR PROTECTION CORPORATION

SEPTEMBER 30, 1994

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

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CONTENTS

FRIDAY, SEPTEMBER 30, 1994

	Page
Opening statement of Chairman Riegle	1
Opening statements, comments, or prepared statements of:	
Senator Dodd	2
Prepared statement	22
Senator D'Amato	6
Prepared statement	23
Statement to President Bill Clinton	23
Senator Lugar	7
Senator Boren	12

NOMINEES

Bruce A. Morrison, of Connecticut, to be Director of the Federal Housing Finance Board	5
Biographical sketch of nominee	24
Response to written questions of Senator D'Amato	50
J. Timothy O'Neill, of Virginia, to be a Member of the Federal Housing Finance Board	7
Biographical sketch of nominee	33
Response to written questions of Senator D'Amato	52
James Clifford Hudson, of Oklahoma, to be a Director of the Securities Investor Protection Corporation	14
Prepared statement	41
Biographical sketch of nominee	42
Response to written questions of Senator D'Amato	55

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FRIDAY, SEPTEMBER 30, 1994

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:10 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. The Committee will come to order.

Let me welcome all those in attendance this morning.

One of our senior Senate Banking colleagues, Senator Dodd, is down at the table with a former colleague, Mr. Morrison. We are going to take up our three nominations in due course here. I have an opening statement to make, but let me inquire, Senator Dodd, what your timing circumstances are?

Senator DODD. I'm fine.

The CHAIRMAN. I will go ahead and make this introductory statement, and then I am going to call on you for your introduction.

This morning, the Committee will hear from three Presidential nominees. On our first panel will be Bruce Morrison, who is the nominee to be Chairman of the Federal Housing Finance Board; and Timothy O'Neill, who the President has nominated to serve as a Member of that Board. After we have handled those two, we will then hear from James Clifford Hudson, who has been nominated to be the Director of the Securities Investor Protection Corporation.

The Federal Housing Finance Board was created 5 years ago in FIRREA, the thrift industry cleanup legislation. It is the regulator

for the 12 Federal Home Loan Banks which collectively have assets of more than \$200 billion. They issue securities that are treated by investors as implicitly guaranteed by the U.S. Government and invest about half of those assets in other, often riskier securities. The other half is lent to members who put up mortgages and other housing-related assets as collateral. The Bank's activities are expected to generate approximately \$600 million in dividends for their members this year plus \$300 million to pay part of the interest of REFCORP bonds, and \$100 million for a very successful Affordable Housing Program.

The Federal Housing Finance Board's duties include ensuring the safety and soundness of the Home Loan Banks, supervising the management of those banks, and ensuring that the banks carry out their housing mission. Congress, 2 years ago, made safety and soundness the primary duty of the Finance Board out of concern that there are potential conflicts between the different roles that the Finance Board is required to play. More recently, studies by the GAO, the Administration and the committee of Federal Home Loan Bank stockholders have each recommended that these duties be split up to eliminate the possibility of conflicts. That is something the Congress will need to address next year, along with the broader package that will be proposed by the Administration. So we will be interested today to hear the nominees' views on some of these possible changes. I will say that the nominees have excellent qualifications. Bruce Morrison was a four-term Member of Congress from Connecticut. He served in the House on the Banking Committee and was, in fact, a Member of the Conference Committee for the legislation that created the Finance Board. This year, he played a key role in helping to work out a cessation of political violence in Northern Ireland. We are very grateful to him for his efforts.

Tim O'Neill is well known too, and appreciated by Members of the Banking Committee. He served as Legislative Director for Senator John Heinz, and held senior legislative liaison positions with the Federal Housing Finance Board, Treasury Department, and the Agency for International Development.

Let me now call on Senator Dodd for his comments.

OPENING STATEMENT OF SENATOR CHRISTOPHER J. DODD

Senator DODD. Thank you very much, Mr. Chairman. I'm very pleased this morning to present to the Committee, Bruce Morrison, as the Administration's nominee for the Chairman of the Federal Housing Finance Board.

I'm very confident, Mr. Chairman, that Bruce Morrison is the right person for this position for many of the reasons which you've already identified in your opening remarks.

I've had the honor, Mr. Chairman, of knowing Bruce Morrison for many, many years. We've worked together on numerous issues. He's always been a very strong advocate for children and families in which you know I have a strong interest.

Most recently he has been immersed in the efforts to achieve a lasting peace in Northern Ireland. In fact, that's an on-going process and we spent last Sunday together with Gerry Adams, who is in this country now as head of Sinn Fein, and has called for a com-

plete cessation of hostilities. But Bruce's efforts, along with several others, have led us to the point we are at today—with prospects for a lasting peace in Northern Ireland.

Bruce has held a variety of public and private positions during a very distinguished career in Connecticut. He ably served the people of the Third Congressional District, during an 8-year tenure in the House of Representatives, from 1983–1991.

During that Congressional career, he was a Member of the Select Committee on Children, Youth and Families, and also instrumental in moving comprehensive immigration reform legislation.

In addition to these and many other accomplishments, Bruce has also had extensive exposure to housing and finance issues. He served on the Housing and Community Development Subcommittee, the Financial Institution Subcommittee, and the International Trade and Finance Subcommittee of the House Banking Committee, and as you point out, was a Member of the Conference Committee that created the very institution which he has now been chosen to chair.

He has a very clear understanding of the Federal housing finance programs, having written legislation that dealt with the use of Federal funds for the development of owner-occupied housing.

Prior to, and since leaving Congress, Bruce has been a practicing attorney.

It is vital, I think, that all Americans have access to adequate and affordable housing. Currently, a decent job and a safe, comfortable home are a reality for too few families.

The Federal Housing Finance Board plays a critical role in ensuring that the Federal Home Loan Bank System remains a healthy and stable part of our Nation's housing finance structure. It is critical that someone with the character, judgment, and experience of our nominee, Bruce Morrison, direct this Board as it tackles the many challenges that it faces.

The Finance Board faces many challenges. There have been numerous studies and reports issued over the last year laying out the current problems with the Federal Home Loan Bank System and recommending solutions. Next year, Congress will likely consider legislation making comprehensive changes to the System.

Mr. Chairman, Congress needs to address the ability of the System to focus on its' mission while also paying for its' Affordable Housing Program, and its' large resolution funding corporation obligations. We need to determine what the proper capital standards are for the System. In addition, we need to decide whether banks and thrifts have the same membership terms, and what those terms should be.

The Finance Board will need a strong leader to work with Congress and member banks and thrifts to help work through these issues and chart a future course. Bruce Morrison has the fiscal know-how, and a clear vision to make the Home Loan Bank System an even more important part of our financial system.

The Finance Board has had three vacancies for many months, and this Board has been without a Chairman for almost a year. It is high time that we remedy this situation.

Mr. Chairman, I commend President Clinton for his decision to name Bruce Morrison to this position, and I hope that we can work

quickly so that we can fill this position and he can get to work as quickly as possible.

I'd also like to say a few words about our other nominee for the Federal Housing Finance Board, Tim O'Neill. Tim is a very familiar face to those of us who hang around the Senate Banking Committee. He is well liked and respected by members of the staff.

He has had extensive involvement both in and out of Government with many of the banking and housing issues we've wrestled with over the past 10 years. He has worked on the Hill as a Legislative Director to former Senator John Heinz, and served as a Senior Legislative Manager at the Treasury Department for almost 4 years. He is well qualified to become a Member of the Finance Board, having already served as Director of the Office of Congressional Affairs there.

I am pleased, Mr. Chairman, that President Clinton has nominated such a respected and capable individual to this position, and I urge his swift confirmation as well.

Mr. Chairman, I would be remiss if I didn't point out that Bruce has some family members here. His wife, Nancy, but also a burgeoning politician in his son, Drew, 2½, that will gladly shake hands with anyone if he thinks there's a vote involved, I'll tell you.

[Laughter.]

The CHAIRMAN. Well, he is in the right town for that.

Senator DODD. Right, Drew? Yes.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Dodd.

It means a great deal to me, to the Committee, and I think for this record that you are at the table with these two nominees and speaking from your own personal vantage point to the extent that you have here this morning. In due course, I expect that you will be the Chairman of this Committee, and you will be an exceptional one when that day eventually arrives. But I think your feeling about these two nominees, and your own history, particularly with Mr. Morrison, illuminates the importance of not just this position, but the experience, Mr. Morrison, that you bring to it. And Tim O'Neill, as well.

A lot of nominees come before us, but I think you two together, in different ways, represent the highest quality standards that we try to meet and seek in public service. The fact that Senator Dodd, who has got a keen eye for talent and feels so strongly about it, is seated beside you two today speaks volumes. And so I want to thank you for your comments.

After I have administered the oath to both of you, I am going to call on you, Mr. Morrison, to make opening comments, and I would invite you to introduce again, if you wish, members of your family. I know, Mr. O'Neill, your family is here too, and it looks like your family is expanding from what I can tell.

Let me now ask you both to stand and take the oath.

[Witnesses sworn.]

Gentlemen, again, welcome. Please make any personal comments, and then we would like your statements for the record.

TESTIMONY OF BRUCE A. MORRISON, OF CONNECTICUT, TO BE DIRECTOR OF THE FEDERAL HOUSING FINANCE BOARD

Mr. MORRISON. Mr. Chairman, thank you very much for the opportunity to appear before your Committee this morning.

I want to thank my good friend, Senator Chris Dodd, for taking the time to be with us, and thank him for those very kind and generous comments that he has made. I would like to thank you also, Mr. Chairman, for your very gracious comments. I hope to have the opportunity to live up to the standards that you have expressed.

It is a great honor and a pleasure to be here as President Clinton's nominee to be Chairman of the Federal Housing Finance Board.

This Board and the Federal Home Loan Bank System, which it oversees, are a key component of the affordable housing system of the United States. By providing a source of portfolio lending in that system, it gives our housing finance system the capacity to be broader than it would be without this source of finance and it has been key for many years in that housing finance program. But over the last 5 years, as the housing finance system has had to adjust to the problems that we've all suffered through in the savings and loan crisis and the need for substantial taxpayer funds, it has become even more important that this program be refined and defined in ways that will reinforce its' mission going back 62 years.

The Congress wisely, I believe, asked for reports from a variety of entities that could comment on a series of questions about how the system should move forward. And I think those reports are extremely instructive, especially in the areas in which there's a substantial consensus of opinion about the kinds of changes that will reinforce and strengthen the system.

If the Senate, in its' wisdom, decides to confirm me, I look forward to an opportunity to lead the Federal Housing Finance Board in a consultative process with the Administration, with this Committee, and with the Banking Committee of the other body in forging an appropriate comprehensive set of legislative proposals that can build on what we already have.

It is certainly a system that is strong. It is certainly a system which is doing a job that needs to be done, and we're not talking about changes that would undo what is good but strengthen what is already there and protect against any problems that have developed over the last few years. Safety and soundness, as you mentioned, Mr. Chairman, has to remain a watch word of any such system.

We all know too well, from recent history, of the problems that can develop if something gets out of hand in that area. And we certainly have not had that problem with the Federal Home Loan Bank System over its' years. There has never been a credit loss in that System. But even though that is true, words like that were spoken before the 1980's about other systems, and we should never let down our guard in seeing to it that we have the appropriate safety and soundness regulation system in place to see to it that we're protected.

In the 1989 legislation, which I am proud to have been able to participate in as a Member of the House, we in the Congress inno-

vated by creating the Affordable Housing Program and the Community Investment Program.

At the time, that innovation was controversial. But it has proven to be a very worthy innovation, and in fact, the skeptics in the community of member banks have found it to be a very useful tool to do a job that they increasingly want to do.

I think that the ability of the Congress to perceive the need and to find a mechanism to meet it, in that way, is an encouraging statement of what can be done in the legislative process ahead, as we look to strengthen the system and to assure that it will continue to be a critical element of our housing finance program for the country.

There are challenges for us all in the years ahead, and I'm honored to have been chosen by the President to lead this institution in that direction. I hope that I can answer the questions that the Committee may have and to satisfy you that we, together, can do the right thing in the years ahead.

The CHAIRMAN. Thank you.

Let me call on Senator D'Amato now for any opening comments he may have.

OPENING COMMENTS OF SENATOR ALFONSE M. D'AMATO

Senator D'AMATO. Thank you very much, Mr. Chairman.

I'm going to put my full statement in the record as if read in its entirety.

The CHAIRMAN. Without objection, so ordered.

Senator D'AMATO. Mr. Chairman, I am pleased that the President has submitted Mr. Morrison to be Chairman of the Federal Housing Finance Board. I know him and I think he is going to do an excellent job.

I think we'll have better relations than we have with some of the agencies because we'll have someone who is a former Member of Congress who can share a perspective that's important. So I'm particularly pleased with that.

I understand Mr. Hudson has an outstanding reputation, and as Director of Securities Investor Protection Corporation, I'm certainly delighted to be able to be supportive of his nomination.

As to this fellow, Timothy O'Neill, I don't quite know what to say.

[Laughter.]

There are not enough superlatives for Tim, and for his family. His beautiful wife and family are here today.

He is an outstanding nominee. I am delighted and pleased that the White House has demonstrated, I think, the kind of insight in putting forth someone with Tim O'Neill's background and his credentials.

I am pleased to know that his old patron is looking down. We loved each other. John Heinz would be so proud to see Tim before us today.

Mr. Chairman, I want to commend the White House and the nominees. It's a great pleasure to be here and I look forward to a speedy confirmation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator D'Amato.

On a personal note, as one who served in the House with John Heinz, and served here, and who had a close personal relationship with him, I know the affection and esteem that he had for you. I think Senator D'Amato is right, that John Heinz's presence is very much here in the room today, and within you. I know he is an inspiration to you, and that makes this a special moment, especially here in this Committee room where John served in such an extraordinary way for so many years.

I want to, at this point, read into the record a statement from Senator Luger who wanted to be here today but could not be.

**PREPARED STATEMENT OF SENATOR RICHARD G. LUGER
FROM THE STATE OF INDIANA**

[As read by Senator Riegle]

Senator LUGER. I regret that I could not introduce J. Timothy O'Neill in person. However, I take this opportunity to do so in writing. I've known Tim O'Neill for 22 years. Our first encounter being in 1972 when I was Mayor of Indianapolis and Tim was a member of his high school championship quiz team. We met again in 1981 upon Tim's graduation from law school, and since then I have followed his career with interest.

Whether it has been Capitol Hill, the Executive Branch, or the private sector, Tim has always served with distinction. Tim is intelligent and well-liked but maybe his most admirable quality is the perseverance that enabled him to come back from a truly devastating stroke to his current condition.

I think he will make a valuable addition to the Federal Housing Finance Board and I would like to compliment President Clinton for making this outstanding choice.

The CHAIRMAN. And that, too, I think, speaks volumes in terms of words from a Senator widely respected by all of us in the institution. So let me invite you to introduce your family and make your comments at this point.

**TESTIMONY OF J. TIMOTHY O'NEILL, OF VIRGINIA, TO BE A
MEMBER OF THE FEDERAL HOUSING FINANCE BOARD**

Mr. O'NEILL. Mr. Chairman, Senator D'Amato, I am honored to appear before you, but I would be remiss if I didn't thank several people whose efforts led me to this witness table today.

I start with you, Chairman Riegle, who put this nomination in motion with a letter on my behalf to President Clinton.

You are leaving on an incredible high, with your name affixed to not one but two major pieces of legislation. No one deserves it more, Mr. Chairman. You will be missed.

The CHAIRMAN. Thank you.

Mr. O'NEILL. Senator D'Amato, you were already present for the happiest day of my life, so it is only fitting that you are here today. I look forward to working with you, if I am confirmed.

I also want to thank the entire staff of the Senate Banking Committee headed by Steve Harris, who was the first staffer I met on Capitol Hill back in 1981. Needless to say, Steve, none of this would have happened without you.

Moving to my family, my father, Jack O'Neill, is here from Indiana. As I have said to you on many occasions, Dad, if it were not

for the positive attitude that you instilled in me, I would never have come back from the stroke as I have.

My two children are here, Porter, who is 5, loves to dress in fancy clothes. John, who is 3, loves very scary things. Last and best is my wife, Ginny.

I have said this before, but I want to say it again for the record, Ginny had to handle everything in my absence. Look after and bring me back to health, and all of that while she was pregnant with Porter. She is truly the main reason I am here today.

Ginny, I love you very, very much.

The final person I want to thank is President Clinton for nominating me to this post.

As you know, the Finance Board's primary duty is to ensure the safety and soundness of the Federal Home Loan Bank System. The Finance Board is also responsible for ensuring that the Home Loan Bank System fulfills its housing finance mission. If confirmed, I will always bear those two mandates in mind when determining the proper course for Home Loan Bank policy.

Having previously served as the First Director of Congressional Affairs at the Finance Board, I know of the very professional and competent staff that works at the Agency.

I'm also familiar with many of the Home Loan Bank System issues that should be addressed in order to maintain the continued safety and soundness and to ensure that the Home Loan Bank System realizes its public purpose potential.

Most importantly, I believe that the mission of the Home Loan Bank System is just as relevant today as when the System was founded back in 1932. And I will always keep that mission in mind.

I believe that my experience is well suited for a Director's position at the Finance Board.

Quickly, as several people have said, I have had numerous jobs on the Legislative side, the Executive side, and in private practice. I'm currently a partner at the firm of O'Connor & Hannan focusing on financial services law, legislation, and regulation. Prior to my arrival at the Finance Board, as I think the Chairman has said, I did serve at the Treasury Department for almost 4 years. And as you all have said, it makes it special for me to be here in this room because many times I was on other side of the dias working with Senator Heinz on many, many good issues. It is very sad that he is gone, but I hope, through people like me, he will live on.

All of these experiences have provided me with a unique perspective that I hope and believe would allow me to make a special contribution to the Finance Board. If confirmed, I will work closely with this Committee and the Administration on the many issues facing the Home Loan Bank System.

I would be happy to respond to any questions.

The CHAIRMAN. Thank you for your comments.

I want to say something in respect to two aspects of your statement.

First of all, you appropriately paid a very kind tribute to Steve Harris. Yesterday, down at the Treasury Department, we signed the Interstate Banking Bill. The President made a wonderful comment at that ceremony about Bob Rubin to the effect that he was as effective as anybody in Government, but probably was the most

self-effacing person at the same time, and not seeking credit but doing wonderful work and always looking out for the public interest. And the same could be said of Steve Harris. Steve is really a terrific leader as the Staff Director of this Committee, working as he does with the staff on both sides. Howard Menell has been outstanding as well. I think the good work we have been able to do is a great tribute to Steve and it was appropriate that you acknowledged that here today. I just wanted to add my own thinking to it before we moved along here.

Second, I was also struck by your reference to your wife and your father. I get emotional about these things. I have had to deal with some tough medical problems at different times myself with my family where it didn't look as if people were going to be able to navigate the challenges that were presented. But love, support, and inspiration makes all the difference in the world. I was so proud yesterday to meet your father and to see how proud of you he is.

The reason that it is hard for me to talk about this is that I lost my own father not all that long ago. And at moments like these, I can appreciate the importance of the fact that you can be here in this room together and share this moment.

Mr. O'NEILL. Thank you.

The CHAIRMAN. So when you were fighting your way through that stroke, it was to get here to a moment like this. You are terrific and so is your family.

Now let's get down to hard ball here.

Let me ask both of you this question and I would appreciate a response first from you, Mr. Morrison, and then Tim.

The Federal Housing Finance Board has responsibility for, on the one hand, the Home Loan Bank safety and soundness, and on the other, the programmatic oversight and regulation of the banks. Another aspect is the management and coordination of the banks. Virtually all the studies on the bank system recommend splitting up these potentially conflicting functions, and you both touched on that, in some part, in your statements. But do each of you support the splitting up of these functions?

Mr. Morrison, why don't you start.

Mr. MORRISON. Mr. Chairman, I think that removing conflicts from the oversight system is a very important aspect of what needs to be done and the legislation that is developed must take account of those recommendations and I support that kind of division.

Exactly where those responsibilities should ultimately reside, it seems, deserves further study and discussion, but we ought to remove any hint of conflict, and more importantly, any possibility that conflicting missions might lead to an untoward result.

Mr. O'NEILL. As one of the Republican Members, I guess the only Republican Member of this Board, I think that Bruce Morrison couldn't have said it better and I agree with him wholeheartedly.

The CHAIRMAN. Well, that sounds like the same kind of bipartisan cooperation that Al and I have here.

[Laughter.]

Would it be fair to say that both of you would agree with me that the Federal Housing Finance Board has to be significantly streamlined as well?

Mr. MORRISON. Yes, Mr. Chairman. I think that a lot of good work in that regard, in terms of staffing levels and the budget itself, has already been done in the interim under the leadership currently in place. But we have to continue to look at that. Obviously, the costs imposed on the housing finance system by the funding of the Housing Board should be minimized consistent with doing the job that has to be done in the oversight area.

The CHAIRMAN. Tim.

Mr. O'NEILL. I would agree. I will look forward to going back there and seeing exactly where those cuts should be made, but I definitely agree that we should streamline it however and wherever possible.

The CHAIRMAN. So would it be fair for me to assume that I have also then a commitment from each of you that you will not lobby the Administration or the Congress to perpetuate the existence of the current Federal Housing Finance Board?

Mr. MORRISON. Certainly speaking for myself, Mr. Chairman, I do not view the President's nomination of me, in any sense, as a personal sinecure.

I think that my job is to pursue the public interest wherever it may lead, and the preservation of the particular structure we currently have is not part of my agenda.

I hope that the Administration's position and that which develops here in this Committee and on the other side of the Hill will be able to be reconciled to do the right thing. And whatever that right thing is, I will look forward to supporting it.

Mr. O'NEILL. I, as well, pledge that I will never lobby the Administration to make sure that my job remains there if the will of the Administration is to do away with this agency. If that is their will, that is fine with me.

The CHAIRMAN. I think it is essential that the Federal Housing Finance Board shed itself of its management and coordination role, which effectively makes the Board more like a Home Loan Bank promoter than I think it does a regulator.

I also believe that the best solution is the Treasury and GAO's choice, which is to merge the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board and then to make them independent. What are your views on that subject?

Mr. MORRISON. Well, Mr. Chairman, I certainly haven't reached a conclusion about the precise structure that ought to follow. But, as I said, in answer to your earlier question, I think the key is the separation of the potentially conflicting functions. And I very much support that.

I think that there is more than one alternative about the structure that would result but I do think that independence in the regulatory function is important.

Mr. O'NEILL. I also have not come to any conclusion, but I will take the fact that that's what you view as the best way to go about it very seriously, and I will look at that extremely closely because of that, but I have not come to a conclusion as well.

The CHAIRMAN. I have also come to the judgment that the Congress ought to consider Federal Home Loan Bank legislation on a comprehensive basis and not on a piecemeal basis. Do you agree? Would that sound right to you, Mr. Morrison?

Mr. MORRISON. Yes, Mr. Chairman. I think that's absolutely essential.

Any comprehensive reform will require support from many different quarters, and to divide up the legislative process would be to divide up the support that would be necessary to get the comprehensive job done. So I think comprehensive legislation is key.

Mr. O'NEILL. I agree. Some of the thorniest issues that we will have to be dealing with, things like voluntary membership and permanent capital, I don't think that you can do anything but comprehensive legislation because all the different issues are so closely wound together. So I think that the only way to go is comprehensive legislation.

The CHAIRMAN. Finally, looking ahead, would it be your view that the public purpose of the Home Loan Bank System should be, and continue to be, directly related to housing?

Mr. MORRISON. Yes, Mr. Chairman.

One of the reasons that I found the President's offer of a nomination in this area to be so attractive was, because of a longstanding interest and commitment on my part to housing ownership availability in the country. I think that to lose the focus from this agency would be terrible and I will commit myself to seeing to it that that focus is maintained.

The CHAIRMAN. Before I go to Tim, how would you plan to deal with the issue of voluntary membership?

Mr. MORRISON. Well, I believe that there is much to be said in support of voluntary membership, but there is nothing to be said about it that does not also implicate the need for the kind of permanent capital that will ensure that there will never be any call on taxpayer funds to support the system. It is therefore, as Mr. O'Neill so properly said, a connection between the capital structure and voluntary membership. And if those two issues can be resolved together, I believe there can be a good result for all concerned.

The CHAIRMAN. Tim.

Mr. O'NEILL. As I said in my opening remarks, I think that the housing mission that started the whole system off in 1932 is just as important today as it was then, so I definitely would not do anything to diminish the housing focus.

The CHAIRMAN. Very good. Thank you.

Senator D'Amato.

Senator D'AMATO. Mr. Chairman, I have no questions at this time. I think I have one for the record, which I'll submit.

I just want, for the record, to wish both the nominees good luck and hope it will be a speedy confirmation process. And, again, I'd like to pay particular tribute, as you did, but it's well deserved, to Steve Harris, who has done an outstanding job. He should be commended for the leadership he has shown, as well as Howard Menell.

The CHAIRMAN. We think Howard is terrific.

Senator D'AMATO. Steve, you did a great job.

The CHAIRMAN. I'm going to give you some additional questions for the record.

We do want to move promptly on these nominations and I'm confident that you will both do outstanding work in the public interest, and that is what brings us all here. I feel good about the fact that

we have such outstanding representatives from both political parties. I think Government has to work on a bipartisan basis. We have done that here on this Committee and that is the key, in my view, to making a lot of good things happen. There are always differences of opinion, but people of good will can find ways to resolve those, and I think we have a duty to do that. I am confident that the two of you represent that in a very particular way.

Let me thank you both. We will just take a brief recess before we call our last nominee so that we can say hello to these family members.

[Recess.]

The CHAIRMAN. The Committee will come back to order.

Let me invite everyone to find seats so we can proceed with our next nomination, Cliff Hudson.

I'm going to make just a brief opening statement, and then I want to call on our colleague, Senator Boren, who is here to make some introductory remarks. But let me just say for the record that we are now about to consider the nomination of Cliff Hudson to serve as Chairman of the Securities Investor Protection Corporation.

The Corporation is a nonprofit corporation whose membership consists of registered dealer brokers and members of national securities exchanges. The Corporation protects customer accounts when a broker experiences financial difficulty, not to ensure that investors make a profit on their investment, but to ensure that investors are not harmed if their broker fails. When a broker experiences difficulties, the Corporation may apply for appointment of a trustee to carry out a liquidation of the broker and pay customer claims.

I'm pleased to note that the Corporation's fund balance increased by \$72 million during 1993, standing at \$791 million at year end.

Cliff Hudson, nominated to serve as Chairman of the SIPC, is a graduate of the University of Oklahoma and Georgetown Law School. He brings a background in both law and business to this position. After practicing law for 4 years, he joined Sonic Corporation, a major restaurant franchise chain, as associate general counsel. After serving in that capacity for 8 years, he became chief financial officer, and then chief operating officer, and since August 1994, has been president and chief operating officer.

So we're pleased to have you here.

Senator Boren, it's a great pleasure to have you before our Committee. Both you and I are about to leave and go off in new directions. As a great admirer of yours during your Senate service, your governorship, and throughout your entire public career, I'm delighted to have you in our hearing room in an official way before this session ends, and to thank you for your great leadership and what I know will be a continuation of that leadership in the future.

OPENING STATEMENT OF SENATOR DAVID BOREN FROM THE STATE OF OKLAHOMA

Senator BOREN. Thank you very much, Mr. Chairman, I'm glad also that we have a chance to share this moment before we both ride off into the sunset.

It has been a great privilege to have served with you. You are the kind of Senator that we need in this country. You have ren-

dered great public service. You have had the courage of your convictions. And that quality of moral courage is the quality badly needed in the public life of this country, and I know you're going to continue to contribute in other ways to our community life in the future.

Let me just express the determination, on my part, that our friendship will continue and that our paths will cross often, and I look forward to that continued association and friendship for many years.

The CHAIRMAN. Thank you.

Senator BOREN. Mr. Chairman, it's a real pleasure for me to be here today to introduce a fine citizen from my home State of Oklahoma to be Director of the Securities Investor Protection Corporation, which you've just described.

Thinking of Cliff Hudson being here with me today, perhaps, gives some impetus to my decision to retire from this body and seek other forms of public service because I first met Cliff Hudson when he volunteered to help in my 1974 gubernatorial campaign when I believe he was either 18 or 19 years of age. He was between his freshman and sophomore year. And since that time, I've watched him develop into one of our State's leading citizens as president and chief operating officer of one of Oklahoma's most dynamic and thriving companies, the Sonic Corporation.

I take great pride in our association and seeing that this young man that has such high ideals and interest in our political system has maintained that commitment to community and public service.

He has with him today, his wife, Leslie, and his son, Stuart. His younger son, Bennett, is back in Oklahoma. I would like Leslie and Stuart, if they would, to stand so that we may recognize them.

The CHAIRMAN. We're delighted to have you here today.

Senator BOREN. Cliff attended the University of Oklahoma, an outstanding institution, as we all know, where in 1977, he received a BA in history. At the University, he earned the Phi Beta Kappa scholarship. He was a member of the President's Leadership Class, and vice chair of the Student Congress. Upon graduation from the University of Oklahoma, he attended the law school at Georgetown University, where he earned his juris doctorate in 1980. And was a member of the legal honor society, Phi Delta Phi, and also editor of the International Law Journal.

Again, his professional career since 1980 as an attorney was Semmes, Bowen and Semmes of Baltimore, and in 1982, he returned home, back to Oklahoma, where he had joined one of our State's most respected law firms, Hartzog, Conger and Casen in Oklahoma City. In 1984, he joined the Sonic Corporation as associate general counsel and assistant secretary. He then became senior vice president, executive vice president, and chief operating officer, and now serves as president of the company.

He's made impressive achievements and is a well-respected member of the community, as I've indicated. He's served on several panels regarding business franchising and most notably for various international franchise association symposiums. He serves as a moderator and lecturer at the Oklahoma City University School of Law, focusing on entrepreneurial and small business activities and the law affecting those activities.

In 1985, he was selected as an Outstanding Young Man of America. He currently is a member of the Economic Policy Committee of the U.S. Chamber of Commerce. He has served on the Governor's Economic Advisory Committee for the State of Oklahoma and the Oklahoma Department of Commerce Task Force for Entrepreneurial Activities and Business Development. He also has served on the State Board for Property and Casualty Rates which, of course, affects our insurance companies.

I think you can see, in conclusion, Mr. Chairman, that it's really why I said it was an honor and a privilege for me to be able to be here to introduce this outstanding citizen from our State. He's a person who has given of his time in many voluntary capacities to serve the public interest and to serve the community interest.

And I think you can see from the range of his personal experience and from his expertise that he will be an outstanding Director of the Securities Investor Protection Corporation.

So, again, I thank you for allowing me, out of order, because of my responsibilities on the floor, to be here and to have the privilege of introducing Mr. Hudson to you.

The CHAIRMAN. Well, it means a lot to this Committee to have you take the time to come over, especially on such a busy day and to make such a complete and important statement regarding this nomination, and we thank you for that. It gives us great confidence that we're going to have the kind of leadership there that we ought to have, and thank you as well for your personal comments.

I'm very hopeful that our paths will cross many times in the future, and I have a hunch they will.

Senator BOREN. Mr. Chairman, there are many political science students and others that would benefit from your coming and giving guest lectures from time to time at the University of Oklahoma, so I'll put you on notice that you can expect those invitations.

The CHAIRMAN. Very good, I'll be there.

Thank you.

Senator BOREN. Thank you very much.

The CHAIRMAN. Thank you very much.

Mr. Hudson, let me ask you now to stand and raise your right hand.

[Witness is sworn.]

Thank you.

Your lovely family, in part, I know you've got one son back home, has been introduced and when we finish, if you'd like to bring your son up and let him try sitting in this chair, we'd be happy to have you do that, just to see how it feels and how it looks from this end.

Mr. HUDSON. OK, I appreciate that.

The CHAIRMAN. Why don't you go ahead and give us your opening comments now, and then I've got some questions for you.

TESTIMONY OF JAMES CLIFFORD HUDSON, OF OKLAHOMA, TO BE A DIRECTOR OF THE SECURITIES INVESTOR PROTECTION CORPORATION

Mr. HUDSON. Thank you, Mr. Chairman.

I want to thank you and the Members of the Committee for the opportunity of appearing before you today with respect to my nomi-

nation to be a Director of the Securities Investor Protection Corporation.

I'm pleased to be accompanied, as Senator Boren mentioned, by my wife, Leslie, and our older son, Stuart.

As you know, the President has nominated me to serve as one of two public Directors of SIPC and has also indicated his intention to designate me as Chairman of SIPC upon my confirmation by the Senate as a Director.

I want to take this opportunity, also, to thank President Clinton for the confidence he has shown in me by nominating me to this position and I welcome the opportunity to serve my country in this capacity.

Mr. Chairman, I have a further statement which I would be happy just to enter in the record, if you'd like today.

The CHAIRMAN. We'll make it a part of the record.

Mr. HUDSON. Thank you.

The CHAIRMAN. Let me ask you your view. Is the SIPC fund balance that's now there sufficient to meet all the claims that can reasonably be anticipated against that fund?

Mr. HUDSON. Mr. Chairman, as you know, currently the balance of the SIPC fund is at a historical high. It currently is \$852 million. And in this calendar year, there has only been one firm against which liquidation proceedings have been instituted, and that is not a large fund. With the fund at \$852 million, and with a goal of having that fund growing at—

The CHAIRMAN. Excuse me. I want to make sure the record's right. When you said that it's not a very large fund, did you mean it was not a very large firm?

Mr. HUDSON. Excuse me. It was not a very large firm, I'm sorry. Yes, thank you.

With the goal of growing the SIPC fund to \$1 billion by 1997, the fund should really be, it's my understanding, in very good condition for handling liquidations that SIPC could anticipate would occur, although it's always difficult to anticipate what is going to occur in the future. But historically, the liquidations that have occurred have been of smaller firms, and therefore the billion dollars would appear to be sufficient.

As you also know, SIPC has a revolving line of credit with a number of commercial banks, that credit line totaling an additional billion dollars.

And finally, it has a statutory arrangement to draw from the Treasury in the event it becomes necessary of an additional billion dollars, all totaling \$3 billion, far in excess of the, I believe, approximately \$256 million that has been utilized in liquidations over the last 20-plus years.

The CHAIRMAN. In terms of the recent volatility in the financial markets, has that, in any way, led to an increased level of claims or proceedings initiated by SIPC?

Mr. HUDSON. It would not appear to have caused any. As I mentioned a moment ago, the claims, the liquidation proceedings initiated this year have totaled one, which is as low as it has been, I believe, in all of the years of SIPC. So there seems to be no correlation between the recent market disruption and the number of liquidation proceedings that SIPC has had to initiate.

The CHAIRMAN. You have a sense—we have seen, in some areas, in some of the hedge funds, of course, it's different than what we're talking about here, but it helps illustrate the point that some of the trading positions taken, some instruments, derivative instruments and other things, have caused some people to exhaust their capital. There have been some closings and so forth.

Are we seeing any practices that may be occurring there or any new elements in the system that could conceivably be creating a risk that maybe the consequences of, we might not yet have seen? Do you see anything that is a cause of concern that we ought to have on our radar screen to think about?

Mr. HUDSON. Well, as it relates to SIPC, and that's the way I'm interpreting your question, most derivatives are not, and this isn't exclusively so, but most derivative instruments are not included within the definition of a security for purposes of SIPC protection. And as a result, SIPC, in most instances where someone may experience a loss, because of their investment experience with a derivative, the SIPC fund is not going to come into play.

The derivatives have to be registered, it has to be purchased pursuant to a registered offering or offered pursuant to a registered offering, I believe, under the Securities Act of 1933, in order to receive that kind of protection. And, therefore, many of the, or I should say most of the derivatives are not covered.

What SIPC does not protect against in addition to instruments not defined as securities, even those that are defined as securities, is the simple fluctuation of the value of those instruments, as opposed to the purposes of the FDIC. And with that added element, i.e., of the value of a derivative or decline simply because of market fluctuations, SIPC would not be protecting the investor against those market fluctuations, even if it were a derivative that is covered by the SIPC fund.

The CHAIRMAN. Could a broker or a firm doing brokering be trading, not only for clients and holding client accounts, but also trading for its own account, and could you have a situation arise where, if there were a situation like that, that they could experience losses in a way that could, in effect, capsize the business and end up, albeit inadvertently, squandering the resources of the entire operation so that investors, in fact, would see their money disappear even though presumably they were not, their investment activities were not responsible for why a firm would capsize? Could that happen?

Mr. HUDSON. Should I interpret your question to mean could it happen in such a way that it would affect the SIPC fund and challenge the—

The CHAIRMAN. Let's try it that way.

Mr. HUDSON. As it relates to the SIPC fund, which obviously is the first and foremost thing that SIPC is concerned with, so long, as you well know, under the Act, the member firms are required not only to meet certain capital level requirements but also required to, in their custodial arrangements with their customers, keep their customers' assets segregated from the firm's assets. And so to the extent that the firm is traveling, rather trading for its own account, its' assets should be segregated from the clients'.

Even if the firm's assets ultimately are put at risk because of their own activities, the clients' assets, assuming of course that the firm is following Federal law, the clients' assets should be segregated, should be protected, so that even if the firm fails, the clients' assets will be available for redistribution to the client or to the customer.

The CHAIRMAN. Do you know any of the generic particulars of a case that you say involved a claim against the fund last year?

Mr. HUDSON. I don't know the particulars of the liquidation proceeding that occurred this year. I don't have information as to that specific one, no.

The CHAIRMAN. Can you, for the record, tell us how the premium system works in terms of how the fund balance is built up?

Mr. HUDSON. Yes.

As you know, the fund balance does not come from public funds generally; rather, it does come from membership firms. Historically, that was a function of gross revenues, and I believe in recent years, that has been modified so that it is a percentage of what is referred to as net operating revenues.

I believe the shift in the two is that, versus gross revenues, all revenues of the firm in the net operating revenue circumstance, the firm is allowed to net its interest and dividend expense, I believe, against interest and dividend income, and take that net portion as part of the revenue, so that there's a slight reduction of the pool to which SIPC looks for its—the pool, that is, a pool of revenues, of firms' revenues and the membership or the premium, for want of a better term, percentage is applied against that slightly revised pool. Historically, it was the gross revenues but it's been modified in the last several years.

The CHAIRMAN. Off the top of your head, and you might have to get it for the record, if you would, is there a simple way to express what the premium schedule is a percentage of gross revenues?

Mr. HUDSON. I believe, if I recall correctly, and I am answering this off the top of my head, and it may not be correct, but I believe it's .054 percent of net operating revenues.

The CHAIRMAN. If a citizen here, sitting beside me, who had investments out there with one or more brokers, and they asked the question: Is there any conceivable circumstance, any conceivable circumstance under which you could have a blowout in the system and where their return of their proper valuation of the securities they hold in a broker that fails would not be returned to them? I mean, could they have the assurance that this system is now so solidly structured that, even if you take sort of nightmare scenarios, that you can't conceive of one that would in a sense tank the system? Can that be said, or do we know whether that can be said?

Mr. HUDSON. In the circumstance, if I can break that down between, particularly with a smaller firm versus a larger firm, in a catastrophic circumstance as it relates to an individual firm, if it's a smaller firm, it would appear as though the fund and the additional capital resources that SIPC has to draw on would be sufficient to meet the demands of most any smaller liquidation, smaller firm.

As it relates to a larger firm, as you may recall, the Government Accounting Office report has reviewed that as it relates to the potential failure of a larger brokerage firm, and in the instance of the estimation of what that scenario would be like and the cost of it.

In that hypothetical situation, GAO reports seem to confirm with SIPC's estimation which SIPC believes is a conservative estimation, that that cost would be on the order of \$1 $\frac{1}{4}$ billion exposure in terms of cash outlay with a good potential with a $\frac{1}{4}$ or a $\frac{1}{3}$ of that being returned to SIPC so \$300 to \$400 million with a net loss to the fund on the order of \$800 million or so.

Now that would be a catastrophic situation as to a large firm. And it would seem to me, for a customer to have those kind of losses, there would have to be widespread, it wouldn't be just a circumstance—I'm speaking to the customer losing funds, not to the firm going broke, but as to the customer losing funds, the degree of fraud or misappropriation of customer's assets would have to be so wide scale as to have a complete systematic breakdown within that firm as to the manner in which they handle this custodial arrangement with customers' assets.

The CHAIRMAN. Could that be said another way to sound like this. When an investor invests with a broker, and obviously there's a risk associated with that, in other words, if you put your capital out of risk, select wisely and things go well, you can make a return, maybe a handsome return on your investment, but there's no guarantees. In fact, in the nature of things, you might make an investment and lose the entire investment. You might invest in something, in a stock or something, and the company may capsize. Those losses are to be expected from time to time in the normal course of investment trading. So SIPC is not set up to deal with that kind of normal pattern of risk-taking and reward seeking?

Mr. HUDSON. That's correct.

The CHAIRMAN. But in a case where there would be a catastrophic event, and we are speaking hypothetically, either massive fraud within a large firm or, somehow or another, the safeguards did not work, and there was, in this GAO hypothetical case, something that would basically empty the fund now, even net of the recoveries, it sounds to me like where the fund stands today, that would pretty much empty it out if you had one such case.

I'm not suggesting that I think there would be such a case, but beyond the fraud situation of that kind in this kind of hypothetical case, is there any other kind of systemic risk or structure risk that could occur, over and beyond fraud, that could, in effect, create a rush of claims against the SIPC fund that would really test the fund?

Mr. HUDSON. Well, if it were a circumstance other than my understanding, if it were a circumstance other than fraud within a given firm, misappropriation of customer assets within a given firm, the cause would have to be a more systemic breakdown. I mean, a complete collapse, not just of a firm, but rather our economic system or monetary system, something related to complete economic failure that would go far beyond any question involving just how the SIPC operate and can it step forward.

That would be a far subsidiary question for our society generally, I think, if we were to have that kind of catastrophic circumstance.

The CHAIRMAN. The reason I ask the question is that I think this is an area that is off to the side, not in the center of public view and attention.

Mr. HUDSON. Yes.

The CHAIRMAN. And as Federal Deposit Insurance was for a long time.

Mr. HUDSON. Yes.

The CHAIRMAN. Then, of course, the thrift situation came along and we saw we had a catastrophic event, not only overwhelmed the Fund but created an enormous taxpayer liability in that case, and then we found ourselves on a path where the banking system, apart from the savings and loan system, was also at a point where the Deposit Insurance Fund was essentially depleted, given a rash of bank failures and so forth. That was in something where one would have thought that there would have been a better way to see what kind of consequences might build up and create that kind of jeopardy. And so I'm wondering the degree to which any citizen ought to have a sense of supreme confidence here.

It seems to me, when they see the SIPC insurance logo, in effect, they can feel that in the normal course of events, if a given firm that they're dealing with behaves fraudulently, or there's a loss, that they're going to be protected and their funds will be returned to them.

Mr. HUDSON. Yes.

The CHAIRMAN. Where a problem could arise is if you had some kind of large system breakdown, which we, in fact, did have in the savings and loan system. There, the Federal Deposit Insurance kicks in and people's accounts up to a hundred thousand were protected in every single instance.

Mr. HUDSON. Yes.

The CHAIRMAN. There is no such arrangement in SIPC, is there?

Mr. HUDSON. No, there is not.

The market risk you take in that investment, whatever the investment you decide to put it into, if there is a decline in the market value of the instrument, the security you've decided to invest in, if there's a decline in the market value of that instrument, that is your market risk in deciding to take that investment route.

Clearly in contrast to the FDIC situation of putting \$50,000 into an FDIC insured institution and being guaranteed you will get that \$50,000 back hopefully plus some return, but a minimum of your principal.

In the SIPC situation, there is no such guarantee against the market risk. You take the risk in the instrument. But SIPC insures you as it relates to the manner in which that firm has operated and the segregation of your own assets.

The CHAIRMAN. Do you know if there is a requirement that when a broker uses the SIPC logo and the identification of an insurance protection of this sort, is there required, as a matter of practice, an explanation of what that protection is, to make that delineation? In other words, to make it crystal clear that it means you're protected against the fraudulent misuse of your funds as opposed to the fact that if the market goes upside down, you can lose all your money and there's no recourse?

Mr. HUDSON. My understanding of the manner in which a SIPC member is obligated to communicate that to their customers is along the lines of brochures or similar information distributed to customers. And SIPC does prepare and distribute to its' member groups brochures concerning how SIPC operates and what it's intended to cover, and that is the manner in which SIPC members then distribute that information to their customers.

The CHAIRMAN. I would ask you to check and find out, once you're confirmed, and I'm going to try to move all these nominations on Monday of next week, I would like you to find out if there is a mandated format by SIPC that, in effect, becomes an instruction to covered brokers that says, the information needs to be presented to this degree of completeness and clarity and so that notice is clearly given and clearly received. And I say that because you and I know from our own other experiences that oftentimes definitions, warning labels, things of that kind, they are sometimes invisible. People think they mean one thing and they mean something else.

I'm just wondering if SIPC, itself, as a matter of the public interest, has addressed that question and said to itself what is the form and content of the notice that should be given so that people understand.

I view that, in a sense, the protection isn't just a public benefit but also, because the fund is there for an important and valid purpose, in a sense, it's a clarification of what the purpose is, because it shows that there's a safeguard and there's a division between the risk of misappropriation and mismanagement or fraud, and the question of market risk. And I say this, I want to know, I want you to find out, I want you to take a look at that and you've made a commitment to do that.

Mr. HUDSON. Yes.

The CHAIRMAN. We're finding, for example, just yesterday, the Aging Committee, under Senator Pryor, held a hearing on senior citizens going into banks and buying bank products that they thought were Government insured because they were buying it in a bank with the FDIC logo on the window, and lo and behold, they were buying uninsured products and they experienced substantial capital losses, thinking that they were in a position where their capital was protected by deposit insurance.

And so, as product proliferation occurs, I think there's a lot of confusion and people don't necessarily understand the difference between one kind of an insurance guarantee and another.

I feel very strongly that in the area of investment markets, because I want confidence high, I want people, who are in a position to be investors and risk-takers, to really understand the nature of what they're doing, at least, with respect to the degree that there is an insurance fund there.

I think sometimes just the generic notion of an insurance fund, because of the fact that there are these different kinds, the FDIC being a different kind that is so prominent, that people can walk away and not be clear in their own mind as to what it is that means.

There are all kinds of brokers, and there are all kinds of people in all kinds of businesses, and some are terrific and some aren't so

terrific. I would like to make sure that from a SIPC public interest point of view that there's some standard, some agreed-upon manner, in which an investor walking in the door really gets the light bulb turned on so that they're on notice.

Mr. HUDSON. They understand that investment and what the risk is.

The CHAIRMAN. Exactly. And exactly what the insurance protection is and what it covers so then they can decide what they want to do from that point. But to me it's sort of the investor beware philosophy, I think it's very important that people have that understanding so that there is not as great a chance for misunderstanding or surprises where they find out that insurance here doesn't mean the same thing that insurance next door at some other kind of financial institution means.

I appreciate this discussion and I would like you to look at that because I think today, given our other experiences, that is something that we have to pay attention to.

Mr. HUDSON. I share your concern and I will be happy to follow up on that.

The CHAIRMAN. Thank you.

We'll have some other questions for you for the record, otherwise, we're finished for today.

The Committee stands in recess.

[Whereupon, at 11:25 a.m., Friday, September 30, 1994, the Committee was adjourned, to reconvene sine die.]

[Prepared statements, biographical sketches, and response to written questions follow:]

PREPARED STATEMENT OF SENATOR CHRISTOPHER J. DODD

Mr. Chairman, I am pleased to introduce Bruce Morrison to this Committee as the Administration's nominee for Chairman of the Federal Housing Finance Board. I am confident that he is the right person for this position.

I have had the honor and pleasure to have known Bruce for many, many years and we have worked together on numerous issues near and dear to my heart. He has always been a strong advocate for children and families and most recently he has been immersed in efforts to achieve peace in Northern Ireland.

Bruce Morrison has held a variety of public and private positions during a most distinguished career in Connecticut. He ably served the people of the Third District in Connecticut during an 8-year tenure in the House of Representatives, from 1983-1991.

During his distinguished congressional career he was a Member of the Select Committee on Children, Youth and Families and he was also instrumental in moving comprehensive immigration reform legislation.

In addition to these and many other accomplishments, Bruce Morrison also has extensive exposure to housing and finance issues. He served on the Housing and Community Development Subcommittee, the Financial Institutions Subcommittee, and the International Trade and Finance Subcommittee of the House Banking Committee. He has a clear understanding of Federal Housing Financing Programs, having written legislation that dealt with the use of Federal Funds for the development of owner-occupied housing.

Prior to, and since leaving Congress Bruce has been a practicing attorney.

It is vital that all Americans have access to adequate and affordable housing. Currently, a decent job and a safe, comfortable home are a reality for too few Americans. The Federal Housing Finance Board plays a critical role in ensuring that the Federal Home Loan Bank System remains a healthy and stable part of our Nation's housing finance structure. It is critical that someone with the character, judgment, and experience of Bruce Morrison direct this Board as it tackles the many challenges that it faces.

The Finance Board faces many challenges. There have been numerous studies and reports issued over the last year laying out the current problems with the Federal Home Loan Bank System and recommending solutions. Next year, Congress will likely consider legislation making comprehensive changes to the system. Congress needs to address the ability of the system to focus on its mission while also paying for its Affordable Housing Program and its large Resolution Funding Corporation obligation. We need to determine what the proper capital standards are for the system. In addition, we need to decide whether banks and thrifts have the same membership terms and what should those terms be?

The Finance Board will need a strong leader to work with Congress and member banks and thrifts to help work through these issues and chart a future course.

Bruce Morrison has the fiscal know-how and a clear vision to make the Home Loan Bank System an even more important part of our financial system.

The Finance Board has had 3 vacancies for many months and this board has been without a Chairman for almost a year. It is high time that we remedy this situation. Mr. Chairman, I commend President Clinton for his decision to name Bruce Morrison to this position and I hope we can work quickly so he can get to work as quickly as possible.

I would also like to say a few words about our other nominee for the Federal Housing Finance Board, Tim O'Neill. Tim is a very familiar face to those of us who hang around the Senate Banking Committee. He is well liked and respected by Members and staff alike.

He has had extensive involvement, in Government and out, with many of the banking and housing issues we've wrestled with over the last 10 years. He has worked on the Hill as Legislative Director to former Senator John Heinz. He served as Senior Legislative Manager at the Treasury Department for almost 4 years.

He is well qualified to become a Member of the Finance Board, having already served as Director of the Office of Congressional Affairs there. I am pleased that President Clinton has nominated such a respected and capable individual to this position and I urge his swift nomination.

**PREPARED STATEMENT OF SENATOR ALFONSE M. D'AMATO
ON THE NOMINATIONS**

Mr. Chairman, I join you in welcoming to the Committee nominees for important positions at the Securities Investor Protection Corporation and the Federal Housing Finance Board. These agencies have significant missions and it is the responsibility of this Committee to see that they are carried out.

Based upon my review of their qualifications and experience, I believe the President has chosen well in selecting Mr. James Clifford Hudson as Director of the Securities Investor Protection Corporation, Mr. Bruce Morrison to be Chairman of the Federal Housing Finance Board and Mr. Timothy O'Neill to serve as a Member. I look forward to their testimony and to the question and answer period.

My hope is that the Committee and the Senate can act expeditiously and favorably on the nominations prior to the upcoming recess. I will certainly work to achieve this result. Mr. Chairman, I am especially pleased that the Administration has sent us a balanced ticket for the Federal Housing Finance Board. The Board needs a full-time Chairman and a quorum. It will need both as we prepare to address the future of the Federal Home Loan Bank System in the next Congress.

**STATEMENT OF SENATOR ALFONSE M. D'AMATO TO
PRESIDENT BILL CLINTON**

**ON THE NOMINATION OF J. TIMOTHY O'NEILL TO BE A MEMBER
OF THE FEDERAL HOUSING FINANCE BOARD**

Mr. President, I rise today to strongly support the nomination of Mr. J. Timothy O'Neill to be a Member of the Federal Housing Finance Board. At present, the Federal Housing Finance Board does not have a quorum, and expeditious action on the pending nominations is warranted, especially before Congress adjourns.

Mr. President, Tim O'Neill is well qualified for this position. Apart from being an active partner at the distinguished firm of O'Connor & Hannon, Mr. O'Neill began his service to the Government over a decade ago as the Legislative Director for our former colleague Senator John Heinz. His distinguished service encompasses other branches of Government as well, including the Agency for International Development, the International Affairs Division at Treasury, and the Federal Housing Finance Board itself, where he served as the Director of the Office of Congressional Affairs.

Mr. President, I have known Mr. O'Neill for many years and can attest to his upstanding character and dedication to service. His prior experience at the Federal Housing Finance Board will be a valuable asset to its' Board, and ultimately, to the American people.

Furthermore, I must hereby acknowledge Mr. O'Neill's lovely wife Virginia (Ginny), and two adorable children—Elizabeth and John Timothy, Jr.—who, appeared with Mr. O'Neill before the Banking Committee last month. Their presence at the hearing was felt by all, along with their devotion to Mr. O'Neill and his ability to serve. Mr. O'Neill's courage, perseverance, and dedication will remain an inspiration to me and other Members of the Banking Committee, who voted his nomination out of the Committee without objection.

Mr. President, I strongly recommend that this body support the nomination of Mr. J. Timothy O'Neill to the Federal Housing Finance Board.

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

SEE ATTACHED LIST.

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

6/73 - 1/82, New Haven Legal Assistance Association, New Haven.

Connecticut: Staff Attorney 6/73 - 9/74; Managing

Attorney 9/74 - 4/76; Executive Director 4/76 - 1/82.

1/83 - 1/91, Member of Congress.

1/91 to date, Attorney in private practice, New Haven, Connecticut.

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Member of Congress, 1/83 to 1/91

Member of Commission on Immigration Reform, 12/91 to date

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None other than miscellaneous op-ed pieces.

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

National Chairman, Irish-Americans for Clinton/Gore, 1992 Presidential Campaign

Political contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Luzzi for Mayor (1993), \$900

Democratic State Central Committee (Connecticut) (1992), \$890

Gejdenson for Congress (1992), \$1,000

Taborsak for Congress (1992), \$500

Clinton for President (1992), \$1,000

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

SEE BIOGRAPHY ATTACHED.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No current plans to do so.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Potential conflicts

of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I plan to divest my only investment with any relationship to the industry I will be regulating. (25 shares of Anchor Corp.).

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

During the past two years I have contacted the Executive branch on numerous occasions related to national policy with respect to Northern Ireland.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I am divesting the only investment which would cause a potential conflict of interest. None of my other activities present potential conflicts.

Civil, criminal and
investigatory
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

Re: Bruce A. Morrison
Position: Federal Housing
Finance Board, Chairman

ATTACHMENT TO STATEMENT FOR
COMPLETION BY PRESIDENTIAL NOMINEES

Memberships and offices held in profession, fraternal, business, scholarly, civic, charitable and other organizations:

American Bar Association
Americans for Democratic Action (Board Member)
APT, Inc., New Haven, Connecticut (Drug Treatment Program, Board Member)
Bethesda Lutheran Church, New Haven, Connecticut
Connecticut Bar Association
Connecticut Law Tribune Editorial Advisory Board
Connecticut Trial Lawyers Association
Costigan & Berns (Law Firm, Of Counsel)
Edgehill Neighborhood Association, Hamden, Connecticut
Friends of Legal Services of South Central Connecticut (Board Member)
The Graduate Club, New Haven, Connecticut
Morrison & Swaine (Law Firm, Partner)
National Equal Justice Library (Board Member)
New Haven (Connecticut) County Bar Association
University of Limerick Foundation, Limerick, Ireland (Board Member)
Yale Club of New Haven (Connecticut)
YMCA, Hamden, Connecticut

Morrison & Swaine

Attorneys at Law
Whitney Grove Square
2 Whitney Avenue, Suite 700
New Haven, CT 06510

Bruce A. Morrison
Member of Congress, 1983-91
Chairman, Subcommittee on
Immigration, Refugees and
International Law 1989-91

Admitted in CT and NY
Telephone: (203) 498-0086
Fax: (203) 782-9181

BIOGRAPHY OF BRUCE A. MORRISON

Bruce A. Morrison, a former member of the U.S. House of Representatives, is currently an attorney in private practice with the firm Morrison and Swaine. He specializes in immigration work for individuals and businesses as well as international trade and investment and general civil litigation. In addition to his legal and governmental experience, he also has a scientific background.

Morrison is a member of the National Commission on Immigration Reform. This group is charged by Congress to recommend future U.S. immigration policy in reports due in 1994 and 1997.

Morrison received his law degree from the Yale Law School in 1973. He has a bachelor's degree in chemistry from the Massachusetts Institute of Technology and a master's degree in organic chemistry from the University of Illinois.

Morrison represented the Third District of Connecticut in Congress for four terms from 1983 through 1991. As chairman of the Judiciary Committee Subcommittee on Immigration, Refugees and International Law in the 101st Congress, he authored and pushed through the Congress the legislation which became the Immigration Act of 1990. This bill, signed by the President on November 29, 1990, is the most comprehensive revision of the U.S. immigration law in the country's history. The Act contains provisions for expanded business visas and a new program for investor immigrants.

In Congress, Morrison was extensively involved in domestic and international financial issues through his membership on the Committee on Banking and Urban Affairs. He served on both the Financial Services and International Trade and Finance Subcommittees. As a member of these subcommittees he was substantially involved in oversight and legislation regarding financial services, trade and international finance. He founded the Third World Debt Caucus, which advocated the restructuring of the debts of Lesser Developed Countries to expand investment and trade.

Bruce A. Morrison
Page Two

Morrison was also a member of the Subcommittee on Housing and Community Development of the Banking Committee. He used this post to author legislation on the use of federal funds for the development of owner-occupied housing in urban areas. He has extensive knowledge of federal programs for the financing of housing and community development projects.

Morrison was also a member of the Select Committee on Children, Youth and Families. He led the Committee's 1989 inquiry into health care access issues which culminated in a hearing and report entitled "The Changing Face of Health Care: The Movement Toward Universal Access."

Prior to serving in Congress, Morrison had broad experience as an attorney. He litigated cases in the state and federal courts in Connecticut and represented clients before state and federal agencies. He was Executive Director of the New Haven Legal Assistance Association. Both he and the agency received national acclaim during his stewardship.

Upon leaving Congress, Morrison established his own private law practice. On January 1, 1992, he expanded his firm to form the current partnership. Although his office is located in New Haven, he has clients from all over the country and from abroad. He has acted as a consultant to the State of California's Commission on Economic Development in their program to encourage foreign investment. He has travelled frequently to the Far East and South America to serve as a consultant to foreign investors who wish to immigrate to the U.S.

Morrison's firm is also involved in civil and criminal litigation, state and federal administrative proceedings, and small business representation.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Magna Cum Laude from Georgetown University

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
none		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Partner, O'Connor & Hannan, Washington, D.C. 9/92 to present

Director, Office of Congressional Affairs, Federal Housing Finance Board, Washington, D.C., 6/91-8/92

Senior Legislative Manager for International Affairs, Department of the Treasury, Washington, D.C., 8/87-5/01

Deputy Director, Office of Legislative Affairs, Agency for International Development, Washington, D.C. 8/86-7/87

Associate, O'Connor & Hannan, Washington, D.C., 8/85-7/86

Legislative Director, U.S. Senator John Heinz, Washington, D.C., 12/83-7/85

Associate, O'Connor & Hannan, Washington, D.C., 9/80-12/83

Summer Associate, Kirkland & Ellis, Chicago, IL & Washington, D.C., 6/79-8/

Summer Associate, Morgan, Lewis & Bockius, Philadelphia, PA, 6/78-8/78

Speech Writer, Southern California Association of Governments, Los Angeles, California, 12/76-5/77

Special Assistant to Director, U.S. Environmental Protection Agency, Washington, D.C., 5/76-11/76

Government experience:	List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions. <u>Director, Office of Congressional Affairs, Federal Housing Finance Board</u> <u>Senior Legislative Manager for International Affairs, Department of the Treasury</u> <u>Deputy Director, Office of Legislative Affairs, Agency for International Development</u> <u>Legislative Director, U.S. Senator John Heinz</u> <u>Speech Writer, Southern California Association of Governments</u> <u>Special Assistant to Director, U.S. Environmental Protection Agency</u>
Published writings:	List the titles, publishers and dates of books, articles, reports or other published materials you have written. None _____ _____ _____ _____ _____ _____ _____
Political affiliations and activities:	List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. <u>Republican, Virginia, 1990 - present</u> <u>Republican, Indiana, 1972-1989</u> _____ _____ _____ _____

QUALIFICATIONS

Since 1981, when I first started lobbying for the law firm of O'Connor & Hannan -- except for one year when I was Deputy Director of the Office of Legislative Affairs at the Agency for International Development (A.I.D.) -- my work has focused on the banking and housing issues handled by the Senate and House Banking Committees.

First I focused on financial issues during my lobbying work at O'Connor & Hannan. Next I spent nearly two years as legislative director to Senator John Heinz, who was a very active member of the Senate Banking Committee. I then spent a second stint at O'Connor & Hannan, still focusing on financial issues. After my one year at A.I.D., my boss, Mr. Peter McPherson, brought me to the Treasury Department when he became Deputy Secretary at Treasury. In almost four years there, I worked both for Mr. McPherson and in the Office of Congressional Affairs; my work focused exclusively on financial issues.

The reason, however, why I feel most strongly that I am qualified for this job is that I left Treasury to become the first Director of Congressional Affairs at the Federal Housing Finance Board. My time spent on the inside makes me well qualified to return as a member of the Board of Directors.

Political**contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

\$500 Gephardt-for-Congress 12/1/93

\$500 Friends of Senator D! Amato 7/28/94

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

**Future employment
relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

(See attached list)

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

After consulting with the ethics officer of the Finance Board, take the appropriate action.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

POTENTIAL CONFLICTS OF INTEREST: QUESTION 4

Not an easy task since I have been lobbying non-stop for 13 years. Assuming that you are not interested in my public sector lobbying, what follows is the list of the O'Connor & Hannan lobbying clients that I was involved in representing:

Federal Home Loan Bank of New York *

Institute of International Bankers

Securities Industry Association

VISA U.S.A.

Adams Cohen

Hook Pilots, Inc.

Friedman, Billings & Ramsay

Trimble Navigation

Association of Credit Bureaus

AFLAC Insurance Co.

Green Point Bank

Little Six

State Street Bank

DataTech Software

Standard Chartered Bank

Borden

Student Loan Funding Corporation

Healthcare Financing Study Group

Michigan State University

Mortgage Loan Corporation of New York

Government of Peru

MWW Corporation

Government of the Philippines

United States-Chilean Chamber of Commerce

Netherlands Antilles

Soka University

K Line *

The Downing Corporation

* Resigned from representing them the day Chairman Riegle wrote the President recommending that I be considered for this position.

PREPARED STATEMENT OF J. CLIFFORD HUDSON

NOMINEE FOR THE BOARD OF DIRECTORS OF THE
SECURITIES INVESTOR PROTECTION CORPORATION

Thank you, Mr. Chairman. I want to thank you and the Members of the Committee for the opportunity of appearing before you today with respect to my nomination to be a Director at the Securities Investor Protection Corporation ("SIPC"). I am pleased to be accompanied today by my wife, Leslie Simcox Hudson, and our older son, Stuart, and am happy to introduce them to you and the Members of the Committee.

As you know, the President has nominated me to serve as one of the two public directors of SIPC and has also indicated his intention to designate me chair of SIPC upon my confirmation by the Senate as a Director. I do want to take this opportunity to thank President Clinton for the confidence he has shown in me by nominating me to this position. I welcome the opportunity to serve my country in this capacity.

SIPC was established almost 24 years ago to provide protection to customers' accounts at securities brokers who are members of SIPC in those circumstances where the broker encounters such financial difficulties that it is unable to meet its obligations to its customers. SIPC has been carrying out this function throughout the years and stands today in a strong and positive posture. As this Committee knows, the board of directors of SIPC is comprised of seven individuals, five of whom are appointed by the President with the advice and consent of the Senate. Of those five, three must be from the securities industry and two are not to be associated with the securities industry. These latter two are usually referred to as the public directors at SIPC. In addition to the five Presidentially appointed directors, there are two Government directors on the SIPC board; one appointed by the Secretary of the Treasury from his officers and employees and one appointed by the Federal Reserve Board from its officers and employees. As I have mentioned, the President has nominated me to be one of the public directors at SIPC.

My background is set forth in detail in the filings which have been made with the Committee. I will not repeat that data at this time, but I will, of course, be pleased to supplement it with whatever information the Members of the Committee may wish. I will bring to my work at SIPC a number of years of business experience during which I have progressed through the management of the Sonic Corporation, a 40-year-old company with a significant operating history. I am part owner of the company, and I have been part of an ownership group of this company for the better part of the last 10 years. I am proud to say I have been involved in the turnaround and growth of the company. I currently serve as its president and chief operating officer.

Throughout my life I have been accustomed to assuming leadership roles, giving direction and guidance to organizations and individuals with whom I interact. I am comfortable assuming such leadership roles and believe I have the competence and confidence to assume the position of chair at SIPC.

Again, I thank you and the Committee for the opportunity to appear before you today, and I would be pleased to respond to any questions you and the Members of the Committee may have.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
<u>Economic Policy Committee</u>	<u>Member</u>	<u>1993-Present</u>
<u>U.S. Chamber of Commerce</u>		
<u>Oklahoma City Housing Redevelopment Corporation</u>	<u>Vice President & Board Member</u>	<u>1993-Present</u>
<u>Oklahoma City Arts Council</u>	<u>Member</u>	
<u>Board Member</u>		
<u>Oklahoma Bar Association</u>	<u>Member</u>	<u>1982-Present</u>
<u>Maryland Bar Association</u>	<u>Member</u>	<u>1981-Present</u>
<u>American Bar Association</u>	<u>Member</u>	<u>1981-Present</u>
<u>Phi Delta Phi</u>	<u>Member</u>	<u>1979-Present</u>

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1984-Present:	Sonic Corp., 120 Robert S. Kerr, Oklahoma City, OK 73102
8/94-Present:	President and Chief Operating Officer
8/93-8/94:	Executive Vice President and Chief Operating Officer
8/92-8/93:	Senior Vice President and Chief Financial Officer
9/90-8/92:	Vice President Corporate Development, General Counsel and Secretary
9/84-9/90:	Vice President, General Counsel and Secretary
3/84-9/84:	Associate General Counsel
1982-1984:	Hartzog Conger & Cason, 1600 Bank of Oklahoma Plaza, 201 Robert S. Kerr, Oklahoma City, OK 73102
	Associate Attorney
1980-1982:	Semmes, Bowen & Semmes, 250 West Pratt, Baltimore, MD 21202
	Associate Attorney

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Member, Oklahoma Property & Casualty Rates Board, 1986-1988 (insurance rate setting board)

Summer Law Clerk, Dept. of the Army General Counsel's Office, June-August 197

Oklahoma Governor's Economic Advisory Counsel, 1992-1994

Oklahoma City Historical Landmark and Preservation Commission, 1990-1994

Oklahoma City Planning Commission, 1990-1992:

Oklahoma Dept. of Commerce Entrepreneurial Task Force, 1987-1988

Oklahoma City Alcoholic Beverage License Review Board, 1984-1985

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Everybody's Talkin' About a New Way of. . . Talkin'", Oklahoma Gazette, 1985

Guest Article on Baseball, Oklahoma Gazette, 1988

"Improving Franchise Relations", paper presented at International Franchise Association Symposiums, 1993 and 1994

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Oklahoma County Democratic Party: Chair, 1987-1989; Secretary/Treasurer, 1985-1987

Steve Lewis for U.S. Senate: Member of Finance Committee, 1992

David Walters for Governor: Member of Finance Committee, 1990

Political

contributions: Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Dave McCurdy for Congress, 1992, \$500; Dave McCurdy for Senate, 1994, \$1000; Boren for Senate, 1992, \$500; Synar for Congress, 1990, \$1000; Synar for Congress, 1992, \$1000; David Walters for Governor, 1990, \$5000; David Walters for Governor, 1993, \$6000; Wes Watkins for Governor, 1990, \$1300; Jack Mildren for Lt. Governor, 1990, \$1000; Robert Butkin for State Treasurer, 1994, \$500; Bob Shuster for Congress, 1994, \$500; Citizen Vote 1992, \$5000; Steve Lewis for U.S. Senate, 1992, \$2000; Oklahoma Victory Fund, 1994, \$2500; Debbie Blackburn for State House, 1994, \$500; Bill Bradley for U.S. Senate, 1992, \$500; Oklahoma County Demo. Party, Miscellaneous Contributions throughout 1987-1989 totalling approximately \$2500; Oklahoma Demo. Party, 1990 to present, series of annual \$1000 contributions; Jeff Neubauer for Congress, 1992, \$500

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

See Attachment I

Future employment

relationships: 1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

No, I understand this part-time board position will not require me to leave my current, full-time employment.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I plan to retain my current position during and after my government service.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

A. My employer, Sonic Corp., is a public company, the common stock of which is traded by market makers who are member companies of the SIPC.

B. I hold an account with 2 SIPC member companies, Southwest Securities and Stephens Inc.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

Clifford Hudson)

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I inquired about the status of bills introduced in Congress which would affect franchise relationships in 1993.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Either resolve them (such as closing brokerage accounts) or withdraw my nomination (if the public company nature of my employer were to present a conflict, which I don't believe it will).

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

In 1986 or thereabouts, our company submitted a reorganization plan for William Dickson of Jackson, Mississippi, a bankrupt doctor, for whom our company was the largest single creditor. Dickson apparently felt that he deceived him by not offering our reorganization proposal to him outside of bankruptcy. He sent a letter to the Oklahoma Bar Association complaining that he had deceived him. The Bar Association sent me a copy of his letter and their response. In which they declined to take any action. Instead, they informed him that his letter warranted no action on their part.

Attachment I to Senate Banking Committee Questionnaire
(Questionnaire of Clifford Hudson)

Qualifications

As to my qualifications for the position of Chair of the Board of Directors of the Securities Investor Protection Corporation, I have the following comments.

First, I offer a number of years of business experience. I have progressed through the management of a company of which I am part owner, a 40-year old company with significant operating history, now operating in 25 states. I have been part of an ownership group of this company for the better part of the last ten years and have been involved in the turnaround and growth of the company. In this capacity, I have significant management experience in the operation of a complex business. I currently serve as President and Chief Operating Officer of the company, dealing with a number of constituencies, including stockholders, stock analysts, directors, officers, hundreds of franchisees, vendors and numerous others.

Second, I have also had significant exposure to risk management and insurance generally. This has been true in my various capacities with our company (including for some period of time being directly responsible for all of our company's risk management, including structuring programs designed as an alternative to conventional insurance programs). I have also served on insurance rate setting boards for the State of Oklahoma, specifically the Property and Casualty Rates Board.

Third, though I do not practice law now, I do have a law degree and did spend several years in a business practice, including corporate and securities work. I also have considerable experience as a client of legal advisers, requesting and acting on legal advice. I am comfortable with the SIPC's area of business, as well as areas of law with which the SIPC will be dealing. These will not be subject matters that are foreign to me, nor will they be subject matters with which I am uncomfortable reaching business decisions.

Fourth, in my business setting, I have been dealing for several years with managing a public company (listed on NASDAQ's National Market System). Though our business is not directly related to that of the SIPC, I have obtained a practical understanding of the manner in which brokerage firms handle their securities trading business.

Finally, throughout my life I have been accustomed to assuming leadership roles and giving direction and guidance to organizations or individuals with whom I interact. I am very comfortable assuming a leadership role and believe I have the personal confidence and competence to be effective in the position of Chair of the Board.

Attachment II to Senate Banking Committee Questionnaire
(Questionnaire of Clifford Hudson)

In re Thurston Charles LeVay and Ruth Ann LeVay, d/b/a Sonic Westminster, Debtors, Bankruptcy No. LA 92-51832-KL, United States Bankruptcy Court, Central District of California. David A. Gill, Chapter 7 Trustee of the Bankruptcy Estate of Thurston LeVay and Ruth Ann LeVay, plaintiff, v. CSDR, Inc.; Cal Sonic; Jack Klaer; Carlo Mione; Dick Hynam; Dan Galindo; Rich Boehm; Sonic Industries Inc.; Clifford Hudson; Frankie Avalon; C. Stephen Lynn; Coast Pacific Brokers International; Daniel C. Hamm and Does 1 through 500, inclusive, defendants, Adversary No. LA 93-03905-KL, United States Bankruptcy Court, Central District of California. (Filed October 8, 1993.) I am a defendant in this case, along with our company and other officers. It was filed in a bankruptcy context. After the case was filed, the bankruptcy trustee decided not to pursue the case. The debtors' son "bought" the case from the bankrupt estate. Our company has filed a motion for summary judgement asking that the case be dismissed. The bankrupt debtor's son has more recently suggested that the case be submitted to arbitration, but no agreement has been reached on this issue.

Bruce A. Morrison
MORRISON & SWAINE
Attorneys at Law
Whitney Grove Square
2 Whitney Avenue - Suite 700
New Haven, CT 06510

October 4, 1994

Honorable Donald W. Riegle, Jr.
Chairman, Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, DC 20510

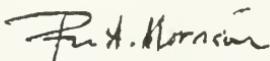
Dear Mr. Chairman:

Thank you for transmitting questions from Senator Alfonse D'Amato following the September 30 hearing on my nomination as Chairman of the Federal Housing Finance Board. I am pleased to respond. My answers to the questions are enclosed.

Once again, thank you for your prompt action on my nomination. Your kind words were deeply appreciated. I was proud to appear before you and your committee as President Clinton's nominee to serve as Chairman of the Federal Housing Finance Board.

Please contact me if you require further information on these or any other issues.

Sincerely,



Bruce A. Morrison

Enclosure

RESPONSE TO WRITTEN QUESTIONS OF SENATOR D'AMATO FROM
BRUCE A. MORRISON

1. I UNDERSTAND ONE OF THE CURRENT ISSUES IS WHETHER THE FEDERAL HOME LOAN BANK SYSTEM NEEDS PERMANENT CAPITAL; DO YOU HAVE AN OPINION ON THAT ISSUE?

2. I UNDERSTAND ANOTHER OF THE CURRENT ISSUES IS WHETHER THE MEMBERSHIP RULES TO BELONG TO THE FEDERAL HOME LOAN BANK SYSTEM SHOULD BE EQUALIZED; DO YOU HAVE AN OPINION ON THAT ISSUE?

3) A SIMILAR ISSUE REGARDING MEMBERSHIP IS WHETHER IT SHOULD BE VOLUNTARY; DO YOU HAVE AN OPINION ON THAT ISSUE?

RESPONSE

The three questions posed are interrelated. We must assure there is sufficient permanent capital in the System before we change to a totally voluntary membership System where equal rules apply to all members.

The current mandatory membership requirement for Federal and state chartered savings associations assures a base of permanent capital in the System. However, with the dynamic and continuing growth in commercial bank membership since FIRREA, 68 percent of the System's membership is now voluntary and has the ability to withdraw from membership six months after providing notice of an intent to do so.

We need to focus our attention on ensuring a franchise value that justifies the members' confidence, and capital investment, in the FHLBank System. This value will be found in a System that: is safe and sound; continues to fulfill, and expand upon, its public policy purpose; provides equal access to attractively priced and effectively structured housing finance products and services for all members; and offers an adequate return on investment to its shareholders.

With that perspective, I believe that eligible institutions with a demonstrable commitment to housing finance should have access to membership on equal terms, and that they should share equally in the benefits and responsibilities of membership regardless of charter. The only prudent way to achieve this goal is through the development of a permanent capital base to ensure the continued safe and sound operation of the System.

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October 4, 1994

Honorable Donald W. Riegle, Jr.
Chairman, Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for transmitting questions from Senator Alfonse D'Amato following the September 30 hearing on my nomination as a director of the Federal Housing Finance Board.

I am pleased to respond. Answers to the questions posed by members of the Committee are enclosed.

Once again, I am most grateful for your prompt action on my nomination and for the support of your staff -- Steve Harris in particular. Your kind words regarding my father and my family were heartfelt and deeply appreciated. I was very proud to appear before you and equally proud to testify as President Clinton's nominee to serve on the Federal Housing Finance Board.

Please contact me if you require further information.

Sincerely,

Tim O'Neill

J. Timothy O'Neill

ac
Enclosure

RESPONSE TO WRITTEN QUESTIONS OF SENATOR D'AMATO FROM
J. TIMOTHY O'NEILL

Q.1. I understand one of the current issues is whether the Federal Home Loan Bank System needs permanent capital: do you have an opinion on that issue?

A.1. The structure and level of capital in the FHLBank System is one of the most important issues facing the System today, and should be considered as part of a comprehensive review of the System. Currently, FHLBank capital consists of two parts: 1) capital stock held by members and, 2) FHLBank retained earnings.

The System is generally viewed as being overcapitalized, with a capital-to-asset ratio of 6.5 percent. In addition, no FHLBank has ever suffered a credit loss. However, because FHLBank capital stock is not generally perceived as being available to absorb losses, retained earnings are viewed as the only "permanent capital" in the System.

A thoughtful re-evaluation of the System's capital structure is very appropriate at this time. Any recommendations for change will need to focus on the continued safety and soundness of the System, its ability to fulfill, and perhaps expand upon, its housing finance mission, maintenance of the System's triple-A rating, and protection of the shareholder's equity investment.

I am aware that the FHLBanks and the Finance Board have formed a committee to study various alternative capital structures available to the System to satisfy the need for a more permanent capital base.

In addition, I understand that the Administration is committed to recommending a permanent capital structure in legislation they are developing for introduction next year. I look forward to working with the Administration and others to create a workable capital structure for the FHLBank System that includes permanent capital.

Q.2. I understand another of the current issues is whether the membership rules to belong to the Federal Home Loan Bank System should be equalized: do you have an opinion on that?

A.2. The goal of the FHLBank System is to facilitate housing finance. Nearly all of the FHLBanks agree that unequal terms of access discourage membership and borrowing.

In addition, the congressional mandated reports by the Finance Board, the Department of Housing and Urban Development, the General Accounting Office and the 24-member Shareholder Study Committee reflect a consensus view that membership and borrowing distinctions based on charter or Qualified Thrift Lender (QTL) status should be eliminated. However, nearly all of these reports highlighted specific concerns related to ensuring that all

FHLBank members have a continued commitment to housing finance and that the creation of full voluntary membership does not leave the FHLBank System without a source of permanent capital.

Generally, there is agreement that equal terms of membership and access should be achieved. However, as a director on the Finance Board, I will work with the Finance Board Chairman, the Administration and Congress to see that this is accomplished in a manner that ensures the continued safety and soundness of the System and that the FHLBanks continue to satisfy their housing finance mission.

Q.3. A similar issue regarding membership is whether it should be voluntary: do you have an opinion on that issue?

A.3. The issue of voluntary membership is directly related to the equalization of membership rules and System capital. Currently, 68 percent of FHLBank System members are voluntary. By next April voluntary members are expected to account for approximately three-quarters of all System membership (not including any federally chartered thrifts that may convert to a state savings association charter).

All of the congressionally mandated reports on the FHLBank System supported full voluntary membership. However, several reports point out the risks associated with the ability of voluntary members to depart the FHLBank System. These reports discuss the need to ensure that capital adequacy is properly maintained even under adverse conditions. As discussed earlier, voluntary membership should be achieved in conjunction with the creation of an acceptable capital structure that includes a permanent capital base.

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OFFICE OF THE GENERAL COUNSEL

October 3, 1994

TRANSMITTED BY FACSIMILE AND HAND DELIVERY

Ms. Kelly Cordes
Chief Clerk
Committee on Banking, Housing & Urban Affairs
United States Senate
Room 534
Dirksen Senate Office Building
Washington, D.C. 20510-6075

Dear Kelly:

Enclosed herewith is a copy of the questions we received from the minority counsel to the Senate Banking Committee this morning for response by J. Clifford Hudson who has been nominated to be a director here at SiPC. Also enclosed herewith are Mr. Hudson's responses.

If there is anything further you need in connection with this nomination, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Theodore H. Focht".

Theodore H. Focht
President and General Counsel

THF:ved

Enclosures

RESPONSE TO WRITTEN QUESTIONS OF SENATOR D'AMATO FROM
JAMES CLIFFORD HUDSON

Mutual Funds

The OCC has recently completed a "survey" of materials used by national banks to sell mutual funds and annuities. Among other things, the OCC concluded that there was inadequate disclosure that the products being sold were not FDIC Insured and that there was customer confusion about SIPC coverage.

Are you familiar with this issue? What do you think accounts for this customer confusion about whether mutual funds are federally insured? What suggestions, if any, do you have about how to correct this problem?

Do you think there is a general misunderstanding on the part of Investors about what coverage SIPC provides? What steps would you take to clear up this misunderstanding?

RESPONSE OF J. CLIFFORD HUDSON
TO QUESTIONS CONCERNING
MUTUAL FUNDS AND SIPC COVERAGE

As to your first question, I am somewhat familiar with this issue. At least two things come to mind concerning the reasons for customer confusion about whether mutual funds are federally insured. The first is the fact that many mutual funds are marketed through banks having FDIC insurance and, in some cases, having names similar to those of banks. The resulting confusion about whether FDIC insurance covers such mutual funds is understandable. The second is the fact that the Securities Investor Protection Act ("SIPA") excludes from SIPC membership (i) those registered broker-dealers whose sole business is the distribution of mutual fund shares and (ii) commercial banks. Thus, if a customer purchases mutual fund shares through a registered broker-dealer who does a general securities business, he or she can obtain SIPC protection. If, however, the purchase is made through a (i) registered broker-dealer whose sole business as a broker-dealer is the distribution of mutual fund shares, or (ii) a commercial bank, then there can be no SIPC protection. I am told that SIPC tried, in 1974-75 and again in 1978, to obtain an amendment to the statute that would have eliminated the exclusion of sole mutual fund dealers from SIPC membership. I am also told that there was strong opposition to SIPC's proposals, and they were not adopted.

As to your second set of questions, I understand that SIPC's board of directors and its staff have been concerned for some time about customers' understanding of the coverage provided to them under SIPA and, in

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particular, about their understanding of the coverage provided in regard to mutual fund transactions. SIPC has for many years provided a question and answer booklet dealing with questions of SIPC coverage. The latest revision of the booklet, which was revised by SIPC last week and will be reprinted this month, contains the following question and answer:

Question: "Does SIPC protect mutual funds or money market funds?"

Answer: "Shares of mutual funds are securities and are protected in the same manner as other securities in securities accounts with SIPC members. However, broker-dealers that deal exclusively in mutual funds are not members of SIPC and customers of such firms are not protected by SIPC.

Shares of money market funds, although often thought of by investors as cash, are in fact securities when such funds are organized as mutual funds. When held by a SIPC member in a customer's securities account, such fund shares are protected as any other covered security.

An investment in mutual fund shares, including money market mutual fund shares, is not protected or guaranteed by SIPC against loss in value.

In addition, the foreword to the question and answer booklet states:

"Of course, SIPC does not protect against losses from the rise or fall in market value of an investment."

SIPC apparently encourages its members to distribute this booklet to their customers. I am told that, for the reasons discussed below, SIPC does not believe it has the authority to require its members to distribute this booklet.

I understand that several months ago SIPC's board appointed a study group, consisting of representatives from the Securities and Exchange Commission ("SEC"), the United States Treasury, the Federal Reserve Board,

-3-

and SIPC, and asked that group to look into issues that might affect SIPC in regard to customers' investments in mutual funds, including matters related to disclosure to the public. I am told that the study is continuing, but the SIPC board apparently has been receiving interim reports and has discussed this matter at its most recent meetings.

SIPC itself, however, is apparently limited in what it can require its members to tell the public. I am told that under the legislation passed in 1970, SIPC could not promulgate a rule or bylaw *requiring* identification of SIPC membership, because the SEC held the view that the statute did not authorize it. SIPC apparently proposed to Congress that it be given clear statutory authority to prescribe by bylaw "the manner in which a member of SIPC may or shall display any sign or signs (or include in any advertising a statement) relating to the protection to customers and their accounts, or any other protections, afforded under" SIPA. Prior to the passage of the amendments to SIPA, SIPC's proposal was modified by the Congress to eliminate the words "or shall" as set forth in the provision quoted above and to add the following new sentence at the end of the advertising provision: "SIPC may also by bylaw prescribe such *minimal requirements* as it considers necessary and appropriate to require a member of SIPC to *provide public notice of its membership in SIPC.*" (Emphasis added.) These changes to SIPC's legislative proposal, together with the legislative history accompanying the changes, would appear to make it difficult if not impossible for SIPC to require its members to tell the public anything more than that they are in fact members of SIPC. Accordingly, SIPC's present advertising

-4-

bylaw generally requires SIPC members to display the official SIPC symbol at each of their offices and requires that they identify themselves as SIPC members in their advertising.^{*/}

Absent any amendments to SIPA, the remedy for any confusion as to SIPC coverage of mutual funds or SIPC coverage in general is enhanced disclosure to customers, probably mandated by the appropriate regulatory agencies.

*/ The bylaw requires that most advertising by SIPC members include the SIPC symbol or the statement "Member of the Securities Investor Protection Corporation" or "Member SIPC." In the alternative, advertising may include one of two official explanatory statements: "Member of SIPC, which protects securities customers of its members up to \$500,000 (including \$100,000 for claims for cash). Explanatory brochure available upon request" or "Member of SIPC. Securities in your account protected up to \$500,000." Use of the SIPC symbol or SIPC's name is prohibited in advertising where it might be misleading (for example, in an ad for a non-securities product) or in an ad where it might appear that SIPC protects or insures the quality of the investment.



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